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SECURITY INFORMATION

File 0.16
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AVAILABILITY OF CONSUMERS' GOODS IN THE EASTERN EUROPEAN SATELLITES

CIA/RR IP-348

(Project 0.16)

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9 October 1953

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

S-E-C-R-E-T

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(ORR Project 0.16)

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AVAILABILITY OF CONSUMERS' GOODS IN THE EASTERN EUROPEAN SATELLITES

1. Food Situation.

The 1952-53 food situation was probably the worst that the Communist regimes in Eastern Europe have had to face in the postwar period. Unfavorable weather conditions throughout the greater part of Eastern Europe during the 1951-52 growing season and, to a lesser extent, Communist agricultural policies created a shortfall in the 1952 production of cereals (particularly corn in southeastern Europe), potatoes, sugar beets, vegetable oilseeds, and vegetables. The resulting food shortages during the 1952-53 food consumption year (1 July-June 30) ranged from serious in Hungary, Rumania, Albania, and East Germany to only a slight tightening of the consumer's belt, as compared with 1951-52, in Poland, Bulgaria, and Czechoslovakia. The only areas where famine (starvation) may have occurred were in the normally food deficit mountain regions of Albania and Rumania, where the peasants are primarily dependent upon corn bread -- Albanian and Rumanian corn production in 1952 was estimated to be only 50 percent of normal. Food shortages among the industrial workers were partially relieved by the Satellite governments by drawing either upon state reserves or (in the case of East Germany) upon supplemental food imports from the USSR.*

The outlook for the 1953-54 food consumption year as compared with 1952-53 is somewhat brighter from the point of view of crop production. Production of the major grain, potato, sugar beet, and oilseed crops for 1953 has been estimated as being significantly above 1952. Meat and animal fats (including butter) will continue to be in short supply, however, and by spring 1954 the shortage may even be worse than in 1953, except possibly in East Germany, which may be somewhat better off in this respect if the USSR fulfills its trade obligations and reduces occupation requirements. Although there should be increased food supplies in urban centers in the Satellite countries, periodic shortages will continue to plague the housewife as a result of the malfunctioning of the procurement and distribution systems throughout the area.

The estimated increase in the supply of bread, sugar, potatoes, and vegetables to the urban workers will not be sufficient to eliminate worker unrest, since shortages of meat, fats, and oils will continue. The latter group of commodities is that most wanted and needed by the industrial worker -- particularly in Czechoslovakia, East Germany, and Poland, where low per capita consumption, which is substantially below prewar levels, has contributed to the decline in labor productivity. During the prewar period the average daily per capita caloric intake was 2,720 calories as compared with only 2,300 calories in 1952-53. In the prewar diet, grain accounted for 54 percent of the total, and meat, fats and oils, sugar, potatoes, and other foods accounted for 46 percent. In 1952-53 these percentages were 64 and 36, respectively.

2. Trade in Consumers' Goods.

The most serious dislocation in the consumers' goods segment of trade between Eastern Europe and the USSR in 1952-53 was in foodstuffs, caused by the poor harvest of 1952 in most of the Satellites. The poor harvest of 1952 necessitated an increased supply of grains from the USSR from its moderately good 1952 harvest and further necessitated a diversion of shipments of foodstuffs within the Satellite countries themselves. It also caused delay, reduction, or, in some cases, cancellation of export commitments of major exporting countries. The accompanying table** estimates the flow of consumer goods between the USSR and the Satellites during 1952-53.

* For a more complete study of the 1952-53 European Satellite food situation, see attached CIA/RR IP-334, Extent and Effects of 1952 Crop Failures in Eastern Europe, 10 April 1953. S.

** The accompanying table, entitled "Estimated Eastern European Trade of Selected Consumer Goods with the USSR, 1952-53," follows on p. 2.

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Metric Tons b/

a. Plus sign (+) indicates flow of trade from the USSR to the Eastern European Satellites. Negative sign (-) indicates flow of trade from the Eastern European Satellites to the USSR.

b. Footwear (Shoes) measured in million pairs.

c. G.D.R. supplies of food to Soviet occupation troops and reparations are considered as exports, therefore this data are shown as net trade figures.

d. Unknown quantities of seed grain were imported from the USSR.

e. Includes eggs; see also footnote (f) below.

f. Includes bacon and butter.

g. Six-month goal.

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Estimated Eastern European Satellite Trade of Selected Consumer's Goods with the USSR a/

1 July-30 June 1952-53
(Continued)

h. Only edible oils considered.

i. A portion of the wool exported from the USSR to the Eastern European Satelllites is returned to the USSR in the form of wool fabric. The wool fabric which is returned to the USSR (approximately 4 million to 5 million meters in the 1952 trade year) is comprised of finer grades of wool than that exported by the USSR to the Satelllites.

j. The total net Eastern European Satelllite import figure for ginned cotton does not represent the exact trade picture since some of the cotton is returned to the USSR in the form of cloth (85 million to 95 million meters in the 1952 trade year). Approximately 5 to 6 percent of the total Eastern European Satelllite cotton cloth production is exported to the USSR. In 1952 this amounted to an equivalent of about 10,000 metric tons of ginned cotton. Statistics for the cotton trade are based on the 1952 calendar year.

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The accompanying table indicates that grain and cotton are by far the most important consumers' goods supplied by the USSR to the European Satellites. Data on other commodities indicate either a small net export from the USSR or a net export from the Satellites to the USSR. On a country basis, Poland, Bulgaria, and Rumania were large net exporters of food to the USSR, while Czechoslovakia, Albania, and, to a lesser extent, Hungary and East Germany were net importers of food from the USSR.

Supplemental agreements have been concluded by the USSR, China, Bulgaria, and Hungary to provide East Germany with additional food, hides and skins, textiles, and clothing during the second half of 1953. In the case of the USSR, food and cotton exports to East Germany are to be increased 8 percent above the level provided by the calendar year trade agreement.

Quantitative data are unavailable at this time for the movement of agricultural commodities and light consumer goods between Eastern Europe and the USSR for 1953-54. However, it is expected that larger quantities of grains, sugar, oilseeds, and tobacco will be moving from surplus areas to deficit areas within Eastern Europe in 1953-54 than moved during 1952-53.

It is probable that in 1953-54 quantities of agricultural commodities traded among the European Satellites and between the Satellites and the USSR will approximate the 1951-52 level. One exception may be the trade in grains between Eastern Europe and the USSR. The USSR will not be required to export so large a quantity of grain to Eastern Europe during 1953-54 as in 1952-53. There probably will be a movement of grain from Eastern Europe to the USSR in 1953-54 to replace the grain imported from the Soviets during 1952-53.

3. Serious Shortages of Consumers' Goods.

The patterns of shortages of food and other consumers' goods were similar in the European Satellite countries, with few exceptions. Foods in most serious shortages during 1952-53 were meats, dairy products, margarine, vegetable oils, lard, sugar, potatoes (Poland, East Germany, and Czechoslovakia), and bread (Hungary, Rumania, and Albania only). Woolen textiles and shoes, two major items of importance in the consumers' goods field, were in short supply. Per capita availability of woolen textiles for the current year is least likely to improve unless external purchases of raw material are made before the end of the year. As for shoes, no single Eastern European country, with the exception of Czechoslovakia, has an annual per capita availability of manufactured shoes higher than one pair per person as compared to almost two pairs per person in the USSR. No significant change is expected during the next year. In addition, because of the shortage of leather the quality has decreased, and more shoes with canvas tops and leather soles are being produced in place of all-leather shoes.

To an outside observer, shortages in consumers' goods in Eastern Europe would not immediately be apparent. Although the list of items in short supply is a long one and should be extended beyond food and clothing to include, in some of the countries at least, soap, drugs and various household goods, most of these items are to be found on the shelves of the stores, although often of such quality as to be virtually worthless.

To the average resident of the Satellite countries, however, the shortages are all too real, since the goods on the shelves are so highly priced as to be effectively beyond the reach of his meager income, and he must therefore do without -- that is be "short" of what he needs, in the truest meaning of the word. For instance, a Polish family of six, the total wages of which exceed appreciably the average, will find that after paying its monthly food bill it has not enough left over with which to meet minimum needs of clothing and pay for housing, utilities, transportation, and the like.

Purchasing power and the level of consumption in the Satellites not only are below prewar but also have been deteriorating in the last year or two. Recent price reductions -- in some, but not all, of the countries under discussion and on some, but by no means all, important articles of consumption -- have alleviated the situation slightly. But palliatives of this character, if pursued further,

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would, of course, only make the real shortages more apparent by emptying the shelves. Only the long-range diversion of resources to the production of consumers' goods, which has been announced in most (but again not all) of the countries, holds out any hope of arresting the decline in the actual ability of the consumer to satisfy his wants. And it will take time, even assuming the full implementation of the announcements, for the effects of such a diversion to be felt.

APPENDIX

LEVELS OF CONSUMERS' GOODS PRODUCTION AND CONSUMPTION

Consumption expenditures in the European Satellites are in almost every case lower than the levels which obtained in the prewar period. The data presented in the accompanying tables (following on p. 6) are a partial indication of the magnitude of the attrition on Eastern European consumption. Per capita levels of consumption measured by per capita agricultural production were below prewar levels through 1951 (the last year for which it has been possible to compute a firm index), and agricultural production in 1952 suffered from widespread crop failure. Only Bulgaria has substantially achieved prewar agricultural production status.

Indices of noncereal food production show an extremely low level of postwar achievement. This condition has obtained even in East Germany and Poland, which were in a relatively satisfactory position in the production of meat, fats, oils, and sugar prior to World War II.

The light and textile industries have shown a better postwar record than the agricultural and food industries. All of the Satellites with the exception of East Germany and Rumania have exceeded prewar output in these lines in recent years.

Production of new housing can be partially approximated by the construction materials index. It should be noted that the materials indices are probably an understatement of new housing construction. Destruction of housing during the war aggravated by a large influx of rural labor in the process of postwar industrial build-up has led to an increasing housing shortage even in the face of an expanding housing construction program.

Two general comments condition the data summary outlined above. (a) Production of consumer goods in the postwar period has been tapped in some measure to provide a state reserve which is mandatory in totalitarian planning which insists upon exceeding production plans wherever possible. Thus the outputs indicated have not been made available to the populations in their entirety. (b) The USSR has channeled a part of its agricultural surplus into these areas in exchange for the products of the Satellite heavy machine industry.

Postwar levels of consumption in Eastern Europe are somewhat lower than prewar on the average. East Germany and Rumania appear to be facing a mild crisis in the production and supply of consumer goods. The remaining Satellites appear to be at about the prewar level of consumption. Drawing down state reserves may be a partial solution to the problem in troubled areas. Increased emphasis on agriculture and light industry will yield a modest increase only if there exists some substantial retreat from the policy of agricultural collectivization. East-West trade could improve the situation only if the USSR were willing to give up the substantial additions to Soviet industry which derive from the mining and heavy industry of the Eastern European group.

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DATA ON POSTWAR CONSUMERS' GOODS PRODUCTION
IN THE EUROPEAN SATELLITES

Per Capita Agricultural Production Index

1938=100

	<u>Bulgaria</u>	<u>Czechoslovakia</u>	<u>East Germany</u>	<u>Hungary</u>	<u>Poland</u>	<u>Rumania</u>
1948	98.7	86.2	63.9	86.9	90.4	84.8
1949	95.6	94.0	64.6	88.4	96.8	78.2
1950	94.1	101.2	78.0	86.2	106.1	79.7
1951	98.4	98.0	81.1	94.4	93.3	89.0

Consumers' Goods Index

1938=100

1948	92.2	102.2	31.4	91.5	75.0	61.0
1949	97.1	111.1	39.9	102.1	86.0	62.4
1950	97.1	111.1	53.2	106.4	100.0	70.9
1951	114.6	110.0	61.7	111.7	103.0	80.9
1952	N.A.	117.4	66.3	N.A.	97.3	N.A.
1953	N.A.	107.2	67.7	N.A.	89.2	N.A.

Noncereal Foods Index

1938=100

1948	60.6	64.0	39.5	45.3	43.5	50.3
1949	62.7	70.3	47.1	56.2	49.3	56.6
1950	61.8	90.1	63.7	59.9	72.5	61.5
1951	61.3	83.8	73.2	57.8	75.4	61.4
1952	N.A.	107.6	86.5	N.A.	62.5	N.A.
1953	N.A.	73.0	69.7	N.A.	47.7	N.A.

Agricultural Production Index

1938=100

1948	106.2	72.4	73.5	86.8	68.9	86.1
1949	103.1	79.3	74.3	89.5	75.6	80.3
1950	103.1	86.2	88.5	87.7	84.0	82.0
1951	108.2	84.5	90.3	96.5	74.8	91.8
1952	N.A.	78.7	89.0	N.A.	69.6	N.A.
1953	N.A.	78.4	94.7	N.A.	69.1	N.A.

Light and Textile Industry Index

1938=100

1948	76.3	125.6	24.0	89.4	100.0	50.0
1949	84.7	136.6	33.6	107.1	114.8	56.3
1950	84.7	122.0	46.1	117.6	123.5	70.4
1951	100.0	123.2	53.5	118.8	124.7	80.3
1952	N.A.	117.9	56.8	N.A.	122.1	N.A.
1953	N.A.	117.9	63.3	N.A.	115.1	N.A.

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DATA ON POSTWAR CONSUMERS' GOODS PRODUCTION
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Construction Materials Production Index

1938=100

	<u>Bulgaria</u>	<u>Czechoslovakia</u>	<u>East Germany</u>	<u>Hungary</u>	<u>Poland</u>	<u>Rumania</u>
1948	N.A.	101.3	60.8	N.A.	72.9	87.3
1949	N.A.	98.7	83.3	N.A.	90.6	107.6
1950	166.7	131.6	98.0	138.9	104.2	126.6
1951	230.0	140.8	103.9	165.3	109.4	141.8
1952	N.A.	149.6	131.0	N.A.	109.5	N.A.
1953	N.A.	176.8	N.A.	N.A.	132.6	N.A.

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